

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address KERNS PETROLEUM, INC. 1777 NE LOOP 410, SUITE 930 SAN ANTONIO, TX 78217		2. OGRID Number 250384
4. Property Code 36717		3. API Number 30-025-38712
5. Property Name EUMONT STATE		6. Well No. 002

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
F	36	21S	35E	F	1650	N	1825	W	LEA

8. Pool Information

WILDCAT	0
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 3593
14. Multiple N	15. Proposed Depth 9000	16. Formation Bone Spring	17. Contractor	18. Spud Date
Depth to Ground water 190		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ miles thick Clay <input type="checkbox"/> Pit Volume: 10000 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.25	13.375	54.5	350	280	0
Prod	12.25	5.5	20	9000	6200	0

Casing/Cement Program: Additional Comments

Kerns Petroleum proposes to drill a 9,000-foot wildcat to test a deep seismic feature. Approximately 350 feet of surface casing will be set and cement circulated. If commercial, approximately 7,000-9,000 feet of production casing will be run and cemented back to surface.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
DoubleRam	2000	2000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCB guidelines <input checked="" type="checkbox"/> a general permit <input type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> .	OIL CONSERVATION DIVISION
Printed Name: Electronically filed by Kerry A Johnston	Approved By: Paul Kautz
Title: Vice President	Title: Geologist
Email Address: kjohnston@kernspetro.com	Approved Date: 1/23/2008 Expiration Date: 1/23/2010
Date: 1/22/2008 Phone: 210-829-7881	Conditions of Approval Attached

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(505) 393-6161 Fax:(505) 393-0720

District II
 1301 W. Grand Ave., Artesia, NM 88210
 Phone:(505) 748-1283 Fax:(505) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

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Form C-102
 Permit 66848

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-38712	2. Pool Code	3. Pool Name WILDCAT
4. Property Code 36717	5. Property Name EUMONT STATE	6. Well No. 002
7. OGRID No. 250384	8. Operator Name KERNS PETROLEUM, INC.	9. Elevation 3593

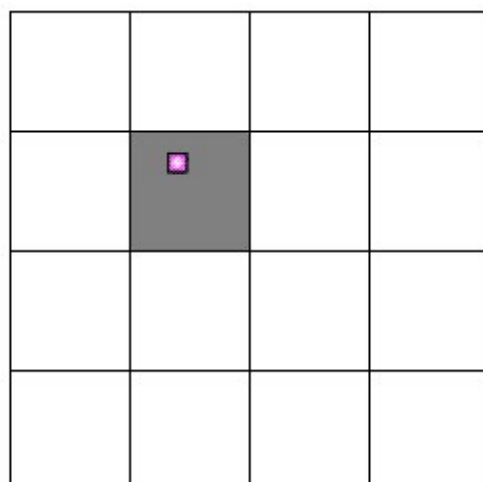
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
F	36	21S	35E		1650	N	1825	W	LEA

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 40.00		13. Joint or Infill		14. Consolidation Code		15. Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Kerry A Johnston
 Title: Vice President
 Date: 1/22/2008

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Surveyed By: Gary Jones
 Date of Survey: 12/20/2007
 Certificate Number: 7977

Permit Conditions of Approval

Operator: KERNS PETROLEUM, INC. , 250384

Well: EUMONT STATE #002

API: 30-025-38712

OCD Reviewer	Condition
pkautz	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines